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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

Mr. Chairman and Commissioners:

Thank you for inviting me to offer my views as you consider the ways in which proposed changes to ownership patterns for broadcast outlets will affect our society and the public's free access to news and information.

This is an issue of profound importance. Indeed, it goes right to the heart of our way of life. Democracy, by definition, depends on the free and uninhibited expression of a range of ideas, opinions and voices. Since most Americans still get most of their news and information via free, over-the-air broadcast transmission, it is imperative to the health and welfare of the American people that we maintain an unfettered marketplace of ideas in that medium. Accordingly, when conditions conspire to interfere with or impede such expression, our democratic system is notably weakened.

Since its earliest days, American broadcasting has had to balance its dependence on the profit motive with its obligations to the public interest standard to which the Congress continues to adhere. These two forces have been locked in a dynamic tug-of-war that has driven the development of radio and television, and thrust it into the center of American life. In my 30 plus years in broadcasting, I have had the privilege of heading up a major commercial television group and presiding over one of America's foremost public television stations. Through that professional experience, and in researching the book "Down the Tube," I have come to respect a healthy mix of marketplace incentives and regulation in the public interest. But today, I fear that you are about to let private interests tip the scales too far in their favor.

All around us we see evidence that when corporate balance sheets come to dominate a media concern, the shareholders garner profits at the expense of viewers looking for substance.

A recent survey commissioned by the Benton Foundation and the Project on Media Ownership discovered that 80% of those polled were in favor of more educational programming for children and more local programming.

Yet, as we all know, it took Congress and the FCC to mandate that broadcasters provide just three hours of educational programming for children per week. Unregulated, programmers found no incentive to provide families with even a meager ration of educational fare.

As for local programming, broadcasters supporting the modification and/or elimination of local cross-ownership and duopoly rules propose that the cost savings they will enjoy from operating co-located facilities in a single market will allow them to compete more effectively. But at what cost?

Two apparently competing news programs emanating from a single newsroom at two different stations certainly do not reflect the vigorous marketplace of ideas from the diverse and antagonistic sources that the Supreme Court deemed essential to the public welfare.

Moreover, there is no assurance that a single owner of multiple outlets counter-programming itself will actually provide more meaningful service to viewers outside the mainstream demographic sectors – especially in cases where a corporate owner's ties to the community are minimal and local management's measure of success is the short-term bottom line.

Consolidation in radio has not resulted in any increase in diversity that I can discern. Nothing I have seen in radio has convinced me in the slightest that multiple television ownership within a local market would result in a process of diversification of programs and viewpoints. In fact, any such claim is highly speculative.

Moreover, with the general easing of ownership limitations and the lifting of the three-year anti-trafficking rule, the Commission has allowed radio stations to be turned into little more than commodities whose skyrocketing market values must, of necessity, restrict the possibility of ownership to a select few. Recently, the Veronis, Suhler & Associates annual analysis reported that the aggregate value of radio station sales in 1995 was 1.2 billion dollars. Today, the trade and general press are predicting a single transaction of some 21 to 23 billion dollars, which would create a single owner of approximately 900 radio stations.

Arguing that consolidation will not harm the marketplace of ideas, industry leaders insist that stations will serve the public no matter who owns them. But can we seriously suggest that Fox Broadcasting's service is not influenced by the views of Rupert Murdoch? Is there anyone among us who would assert that the combined CBS/Westinghouse view of serving the public interest is the same as the distinct and competing views of those companies when they were run by those old adversaries Bill Paley and Don McGannon respectively?

As an industry veteran who has been the head of a multi-group conglomerate, take it from me: ownership matters.

Yes, the economy has changed, and broadcasters must endure increased competition from cable and other new media. That does not justify every scheme for reducing competition within the medium. We must remember that broadcasters have a special position in our society. As trustees of a prized national resource, they hold an obligation to look beyond the bottom line.

Were commercial broadcasters in financial peril, perhaps their arguments would be more convincing and my comments would take a different tone. But the fact is, broadcasting remains a highly lucrative business. According to the Television Bureau of Advertising, advertising revenues for the first three quarters of 1998 totaled nearly 25 billion dollars, a 7.8% increase above the same period a year before. Operating income has also shown a significant uptrend in recent years. And the rule changes being sought are designed to increase those profit margins.

Unfortunately, it is local diversity that would be sacrificed for such profit. In my hometown of Cleveland, Ohio, where only two of the 20 assigned stations were not locally owned when I was living there, those owners were active leaders in the community. Today, there is only one such owner. Moreover, 14 of the stations are owned by only three large companies with minimal local ties.

As we make the transition to digital, the Commission should take a moment to step back and see how things unfold for broadcasters. Digital multicasting capabilities, as we all know, will essentially allow broadcasters to have multiple channels in a single market. That fact alone should call into question the necessity of modifying fundamental rules at this juncture.

This is not to say that I am categorically opposed to all rule changes. Although I personally have no objection to the Commission's proposal to ease its prohibited overlap rule, for example, I believe that wholesale relaxation of the rules on TV duopoly and the radio-television cross-ownership could open a Pandora's Box of problems that may become evident only after time. Do not open that box without the most extensive deliberation. Once ground held on behalf of the public trust is surrendered in the name of corporate profits, it may prove impossible to reclaim. The arguments on grandfathering LMA's and one-to-a-market waivers are clear examples.

Before you act, I urge you to put these issues on the public docket and air them fully. In "Down the Tube," we have discussed the many unintended consequences of past FCC deregulation. Be sure that the decisions you make today will not become infamous chapters in a book yet to be written.

Whatever has been said by influential members of Congress – however the definition of the "public interest" may change over time – Congress has not removed that standard from the Communications Act and this Commission must define its substance. Today, the developing history of American broadcasting has its spotlight on each of you. Consider well what you do, and what you undo.

Thank you.